

Logistics

Army Warranty Program Concepts and Policies

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SUMMARY of CHANGE

AR 700-139

Army Warranty Program Concepts and Policies

This new regulation--

- o Integrates the mandatory weapon system warranty requirements of 10 USC 2403 (chaps 2 and 4).
- o Provides the procedures for selecting warranty candidates and coverage specifics (chap 4).
- o Defines identification and claim processing requirements to provide uniform warranties for field execution (chap 4).

Effective 10 April 1986

Logistics

Army Warranty Program Concepts and Policies

By Order of the Secretary of the Army:

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History. This UPDATE printing publishes a new regulation which is effective 10 April 1986. It supersedes Army Warranty Program AR 702-13, dated 1 February 1981, in its entirety.

Summary. This regulation on the policies, responsibilities, and procedures of the Army Warranty Program has been revised in consonance with 10 USC 2403 and the Federal Acquisition Regulation System. This regulation covers mandatory weapon system warranties and other nonmandatory warranties. This regulation assigns responsibilities, states acquisition policies, defines information requirements, covers fielding and execution procedures, and prescribes methods of compliance.

Applicability. This regulation applies to the Active Army, the Army National Guard (ARNG), and the U.S. Army Reserve

(USAR). This regulation applies to all Army acquired and managed items and non-Army acquired items used by the Army except—

- a. Items purchased by nonappropriated funds.
- b. Special intelligence property administered under AR 381-143.
- c. Industrial production items.
- d. Real property obtained or built by the Corps of Engineers.
- e. Civil works activities of the Corps of Engineers.
- f. Subsistence and clothing bought by the Defense Logistics Agency.
- g. General Services Administration inter-agency motor pool vehicles and commercial design nontactical vehicles either purchased, leased, or rented.
- h. Nonstandard equipment that is locally purchased.
- i. Procurement of unprogrammed requirements in support of Special Operations Forces under AR 700-9.

Impact on New Manning System. This regulation does not contain information that affects the New Manning System.

Internal control systems. This regulation is subject to the requirements of AR 11-2. It contains internal control provisions and a checklist for conducting internal control reviews.

Army management control process. This regulation is subject to the requirements

of AR 11-2. It contains internal control provisions and a checklist for conducting internal control reviews.

Supplementation. This regulation may be supplemented at the major Army command level, if required. One copy of each supplement will be furnished to HQDA(DALO-SMP-P), WASH DC 20310-0546.

Interim changes. Interim changes to this regulation are not official unless they are authenticated by The Adjutant General. Users will destroy interim changes on their expiration dates unless sooner superseded or rescinded.

Suggested Improvements. The proponent agency of this regulation is the Office of the Deputy Chief of Staff for Logistics. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) directly to HQDA(DALO-SMP-P), WASH DC 20310-0546.

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Glossary

Chapter 1 Introduction

1-1. Purpose

This regulation prescribes Department of the Army (DA) policies and assigns responsibilities for the management and execution of the Army Warranty Program. This regulation governs warranties that apply to both centrally procured and locally procured items.

a. Centrally procured materiel warranties. This regulation establishes requirements and provides guidance for the management and performance of the Army Warranty Program for centrally procured materiel. The objectives of the Army Warranty Programs, as expressed within this regulation, are to—

(1) Achieve and sustain a cost-effective warranty program for Army materiel.

(2) Minimize user burden and promote user satisfaction.

(3) Control warranty execution to assure maximum use and benefit from warranties.

(4) Provide information for warranty administration, execution, and evaluation.

(5) Achieve uniformity in managing and executing warranties.

b. Locally procured materiel warranties. Locally procured materiel warranties are governed by Federal Acquisition Regulation (FAR) 46.7.

1-2. References

Required and related publications are listed in appendix A.

1-3. Explanation of abbreviations and terms

Abbreviations and special terms used in this regulation are explained in the glossary.

1-4. Internal control

This registration contains an internal control review checklist for warranty cost effectiveness and payoff assessment. This checklist is located after the last chapter of this regulation.

1-5. Exemptions

The following programs are exempt from coverage in this regulation:

a. Reliability improvement warranties are defined in AR 702-3 and are more properly considered reliability improvement incentives.

b. Manufacturing dimension and tolerance warranties when used for ammunition programs are exempt from coverage in this regulation. These warranties are, in effect, a delayed final inspection acceptance and are not executed outside of the manufacturing and load assembly environment.

c. Vehicle Safety Recall Campaign directives in compliance with section 1402, title 15, United States Code (15 USC 1402) implemented by AR 750-10 are exempt from this regulation.

Chapter 2 Responsibilities

2-1. General

Section 2403, title 10, United States Code (10 USC 2403) defines specific responsibilities of the Secretary of Defense for weapon system warranties. Army Weapon System waiver authority has been delegated to the Assistant Secretary of the Army (Research, Development, and Acquisition) by the Secretary of Defense. For the Army, the AR 10-series describes functions of the Army Staff and major Army commands (MACOMs). The AR 70-series and AR 700-series describe specific responsibilities in Army research and development, production engineering, product assurance, integrated logistics support, maintenance, and supply. Additional responsibilities for carrying out the Army Warranty Program are specified below.

2-2. Deputy Chief of Staff for Logistics (DCSLOG)

The DCSLOG has Army Staff responsibility for the management of the Army Warranty Program. The DCSLOG, in the Army Staff role, will—

a. Issue policy guidance for the technical requirements of warranties on both Army acquired items and non-Army acquired items used by the Army.

b. Issue policy guidance for the management of warranty compliance to the statutory requirements of 10 USC 2403, and regulatory requirements of FAR 46.7, Defense Federal Acquisition Regulation Supplement (DFARS) 46.7, and Army acquisition instructions.

c. Issue policy guidance pertaining to warranty management as part of integrated logistics support policy for the Army in AR 700-127 and in AR 700-129 where the Army is the lead service for Joint Service programs.

d. Issue policy guidance to institute data collection and reporting used to identify warranties, determine compliance, and facilitate warranty effectiveness evaluation.

e. Issue policy guidance to sustain compatibility between acquired warranties and the standard Army execution procedures. (See chap 6.)

f. Appoint an executive agent to carry out the DCSLOG responsibilities for the Army Warranty Program. (See para 2-5.)

2-3. Deputy Chief of Staff for Research, Development, and Acquisition (DCSRDA)

The DCSRDA will—

a. Issue policy guidance to assure appropriate warranty planning in materiel acquisition and management plans. (See 10 USC 2403, FAR 46.7, and DFARS 46.7.)

b. Issue policy guidance to assure that program acquisition strategy under AR 70-1 provides for warranty consideration within the acquisition plan and identifies funding for the acquisition, execution, and effectiveness evaluation of warranties.

2-4. Other Army Staff agency heads

Deputy Chief of Staff for Personnel (DCSPER), Deputy Chief of Staff for Operations and Plans (DCSOPS), Assistant Chief of Staff for Intelligence (ACSI), Chief of Engineers (COE), and The Surgeon General (TSG) will implement the Army Warranty Program in their respective areas.

2-5. Executive agent

The Commanding General, U.S. Army Materiel Command (CG, AMC) will appoint the executive agent for the DCSLOG. The executive agent will—

a. Institute policy, determine compliance, and operate data collection and reporting methods in consonance with Headquarters, Department of the Army (HQDA) objectives.

b. Sustain compatibility of warranty execution methods with the standard Army supply and maintenance logistic support systems. (See para 4-10.)

c. Provide a weapon system warranty clause exchange service for materiel developers (MAT DEVs). (See para 5-3.)

d. Direct and control the central collection activity (CCA). (See para 5-2.)

e. Report annually to the DCSLOG on the Army Warranty Program and the effectiveness of the executive agency.

2-6. Materiel developers

The MAT DEV acquiring an item will determine applicability of 10 USC 2403 and FAR/DFARS regulatory requirements. The MAT DEV will—

a. Establish and maintain a command activity for managing warranted materiel.

b. Issue necessary supplemental policy and procedures that apply to the procurement of materiel warranties.

c. Identify the cost of the warranty.

d. Determine if the warranty is cost-effective (para 4-3) and apply the criteria of the 10 USC 2403, DFARS 46.7, and FAR 46.7 requirements as applicable. (See chap 3.)

e. Manage, monitor, and evaluate the effectiveness of procured warranties using approved supplements to this regulation (when required).

f. Perform annual, inprocess and postwarranty assessments to determine effectiveness and final payoff analyses of acquired warranties. (See para 4-4.)

g. Develop, in coordination with the U.S. Army Training and Doctrine Command (TRADOC), methods of executing warranties within the Integrated Logistic Support Plan (ILSP). Define duties of the gaining MACOMS for warranty execution in the Materiel Fielding Plan (MFP).

h. Sustain compatibility with the standard warranty execution procedures when gaining MACOMS perform the execution. (See chap 6.)

i. Coordinate with the gaining MACOM (or storage activity when applicable) for nonstandard execution procedures. (See para 6-2 b.)

j. Establish a warranty information data base for use by MAT DEV, gaining MACOM, Logistic Assistance Offices/logistic assistance representatives (LAO/LAR), and other Army activities. (See chap 5.)

k. Provide electronic mailbox (24-hour response) access to the central warranty information data base. (See para 5-2.)

l. Establish telephonic access (24-hour HOTLINE) for resolution of execution problems or specific warranty questions from gaining MACOMS.

m. Provide warranty execution training as an integral part of materiel fielding/new equipment training with emphasis on geographic differences and unique organizational structures.

n. Assure warranty information, procedures, and other pertinent data is included in applicable technical bulletins/manuals and field technical documents.

o. Recoup from contracts (adjustments or reimbursed monies) for repair or replacements of warrantied items performed by Government activities, when Government repair or replacement is made in place of contractor repair.

2-7. Heads of gaining MACOMS

These officials will—

a. Assure that a warranty claim action (WCA) is filed for each failure of an item covered by a warranty.

b. Establish nonstandard execution procedures (para 6-2b) in coordination with MAT DEV when nonstandard procedures are acceptable to the gaining MACOM for their maintenance augmentation capability.

c. Provide suggestions or advice on the scope and methods of warranty execution as requested by the MAT DEV.

d. Recommend corrective action to the MAT DEV when published execution procedures prove unsatisfactory or result in extensive administrative burden.

e. Establish warranty acquisition, administration, and execution procedures for locally acquired items in compliance with FAR 46.7.

f. Include warranty functions within annual gaining MACOM budget submissions to provide for the administration and repair of warranted items.

g. Establish a warranty control office/officer (WARCO) at the MACOM level. MACOM WARCOs will—

(1) Review and coordinate with MAT DEV warranty execution procedures within MFPs, warranty technical bulletins (WTBs), and related warranty data to assure effective execution of warranties.

(2) Develop local written instructions for warranty execution and management within the MACOM.

(3) Direct the subordinate servicing WARCO function at the Directorate of Logistics (DOL) level for installation management organizations; at the intermediate—general support (INT-GS) for military organizations; at the State Maintenance Office level within the ARNG; and, at Army Reserve Commands for the USAR. Servicing WARCOs will—

(a) Execute warranties according to published procedures.

(b) Coordinate all warranty actions between its activities and commercial service sources (local dealer or manufacturer) and/or the

MAT DEV as specified in WTBs. Such coordination does not include resolution of contractual issues.

(c) Maintain files and records as required to manage locally procured item warranties.

(4) Establish a coordinating subordinate WARCO function at MACOM determined levels such as corps, division, materiel management center, and area maintenance support activity when appropriate.

2-8. Representatives of the Logistic Assistance Program

LARs will provide advice and assistance to gaining MACOM WARCOs as part of its service interface under AR 700-4 between MAT DEV and gaining MACOMS. Representatives of the Logistic Assistance Program will—

a. Clarify warranty applications/exclusions and warranty claim/report procedures upon WARCO or user request.

b. Assist WARCOs in developing local procedures for warranty administration.

c. Provide warranty information to users/WARCOs as a secondary source of information.

d. Provide specific assistance outlined in MFPs, technical and supply bulletins/manuals, and related documents for warranty management.

Chapter 3 Statutory and Regulatory Requirements

3-1. General

This chapter contains Army warranty policy concerning the United States code statute, FAR, and program documentation.

3-2. Weapon system warranties

a. Warranties will be acquired or waivers requested for items considered as weapon systems in accordance with 10 USC 2403 and the regulatory requirement of DFARS 46.7. Waiver authority is specified by DFARS 46.770-9.

b. Warranties for foreign military sales (FMS) are not required but may be elected by the FMS customer and may require special administration. (See DFARS 46.770-7.)

3-3. Nonweapon system warranties

a. Warranties will be acquired for items that are not covered by the 10 USC 2403 weapon system definition only when such warranties are cost-effective. These warranties will be acquired in accordance with the regulatory requirements of FAR 46.7 and DFARS 46.7 using the candidate selection criteria in this regulation. (See para 4-7.)

b. Commercial or trade practice warranties for centrally procured items will be acquired in accordance with FAR 46.7 when one of the following apply:

(1) They are cost-effective and can be executed by the standard execution procedures.

(2) They are cost-effective and can be executed by nonstandard execution procedures.

(3) The warranty cost cannot be severed by the MAT DEV from the item price to effect a price reduction for the item.

3-4. Warranties on locally procured items

Items that are locally procured will include warranties in accordance with FAR 46.7 only when they are cost-effective and executable by the item user. Administration and execution is the joint responsibility of the procuring activity and the item user. They must be jointly determined by local procedures prior to acquisition.

3-5. Warranties of technical data

DFARS 46.708 requires obtaining warranties for technical data whenever practicable and cost-effective. Computer software and

computer software documentation are considered technical data under DFARS 52.227-7013, Rights in Technical Data.

3-6. Program management documentation

Program management documentation used for the Army System Acquisition Review Council (ASARC), inprocess review (IPR), or other decision authority reviews will include warranty consideration and plans as an integral of both the acquisition strategy and the integrated logistic support process of AR 1000-1.

Chapter 4 Warranty Acquisition Policy and Procedures

Section I Policy and Concepts

4-1. Policy

The Army's policy for procuring warranties requires compliance with statutory and regulatory requirements. (See chap 3.) Cost-effectiveness and tailoring comprehensive coverage to fit the intended conditions and geographic locations of storage and use must be considered prior to contract award. Minimal tasks of execution to burden the operator, unit, or intermediate direct support maintenance organization is a major consideration in the tailoring of all warranties.

4-2. Concepts

Tailoring the warranty concept to fit the item and its intended use in a comprehensive manner with minimal impact on standard Army logistical procedures is the single most important aspect of the warranty acquisition process. Warranty tailoring is intended to protect the Army from the costs and frequency of systemic failures, enact responsive remedies for failures of significant operational impact, minimize or eliminate warranty execution tasks at the gaining MACOM, and become one of the methods used to require the contractor to fulfill the obligation of providing quality Army items. Two basic warranty concepts are frequently used; expected failures and failure-free.

a. Expected failure concept. The expected failure concept is based on the knowledge that the Army procures materiel to the minimum needs of the Army; therefore any design will include expected failures. A contract supplier should not be liable for those failures that are expected, but should be held liable for failures that exceed those that are expected. In order to use the expected failure concept, the Army and the supplier must have confidence in the reliability factors or specification data that yield a given quantity of failures that may occur during the warranty term.

(1) Items that utilize contractor depot or interim contract support for organic maintenance are readily adaptable to this concept since this occurs within the common contract.

(2) Items that are repaired at Army depots are also adaptable to this concept. However, the Army will incur additional cost for administration and the possibility of denied or disputed claims may increase.

(3) The use of this concept for INT-GS items requires the gaining MACOM to file a warranty claim for each failure. The MAT DEV will collect the claims. When the quantity threshold is reached, a contract remedy is then invoked for the excessive claims.

(4) The Army benefits from this warranty concept in several ways. The initial contract warranty is provided with little or no cost since the Army requires remedies only for excessive failures. When in operation, failure quantities which in sum are below the remedy threshold are an increase in product reliability and represent a cost avoidance. Likewise, total failure quantities in excess of the threshold are subject to the contract warranty remedy.

b. Failure-free concept. The failure-free concept requires a period of failure-free usage. Commercial and trade practice warranties are examples of this concept. Under this concept, each claim is subject

to the contract remedy during the warranty term. Since failures may occur, the cost of the warranty will normally include the expense of repair or replacement that can be expected during the warranty term. This cost may be included in the item price and not identifiable as a separate cost.

(1) The Army's usage of failure-free warranties may occur when an item's reliability is unknown or unspecified, such as for a non-development item. The use of the failure-free concept for items subordinate to the system level (para 4-7) may also be appropriate since they may not have individual indicators/recordors of usage such as an hour meter or odometer.

(2) Use of this concept must consider the cost of Army claim administration associated with the processing of each claim. This concept is often used in conjunction with the individual claim coverage (para 4-8a) of INT-GS and depot reparables/recoverables using the standard execution procedures. (See para 6-2a.)

(3) Use of this concept for items that have no INT-GS tasks (such as small arms weapons) is possible when used in conjunction with the systemic defect coverage (para 4-8b) as the method of contract remedy.

Section II Warranty Cost-Effectiveness and Assessments

4-3. Warranty cost-effectiveness

MAT DEVs will institute procedures to determine the cost-effectiveness (AR 11-18 and AR 11-28) of warranties. Weapon system warranties require formal cost-effectiveness analysis. Nonweapon system warranty cost-effectiveness may be by either formal analysis or by documentation of rationale within the contract files.

a. Prior to negotiated procurement of an item warranty, a cost-effectiveness analysis is required to determine the value of the potential benefits received in comparison to the contract cost of the warranty plus the Army's cost of administration and execution.

b. Following receipt of formally advertized procurement bids, a cost-effectiveness analysis of the warranty is required to determine the value of the benefits in comparison to the contract cost (if separately priced) and the Army's cost of administration and execution.

c. Commercial or trade practice warranties for locally procured items require documentation of cost-effectiveness rationale within the contract files.

d. Commercial or trade practice warranties for centrally procured items require the cost-effectiveness analysis even when the warranty price is not severable from the item price.

(1) This analysis is used to determine the value of the benefits (such as reduced maintenance or materiel cost) in comparison to the Army's cost of administration and execution plus any readiness-related cost. Additional float quantities purchased to effect a factory repair cycle time, response time cost, (in terms of equipment down-time), or other productive time lost attributable to the exercise of the warranty are readiness-related costs.

(2) The cost-effectiveness analysis of a warranty, that is not severable from the item price, has a relation to storage, operation, and support costs and has three warranty execution possibilities. Execution of the warranty is implemented for the total remedies available, a selected group or level of remedies, or the execution of the warranty is not implemented because it is not cost-effective.

e. An internal control review checklist for cost-effectiveness determination is required for each contract warranty.

4-4. Warranty assessments

Assessments will be performed by MAT DEVs for warranties on an inprocess and final payoff basis.

a. Inprocess warranty assessments will be initiated concurrent with operation of the first item delivered under the contract. Subsequent inprocess assessments will be performed annually until all item warranties have expired and all claims settled and a final payoff assessment is compiled.

b. The assessments will, as a minimum, contain the identification

of the contract and contractor, a summary of claim activity during the period, and cumulative claim activity for the contract. Claim activity will include the claims submitted, honored, disputed, and denied and the value of each category. Denied claims will include reasons for denials such as false-pull (not deficient), abuse, or not covered by warranty. Denied and disputed claims will include a failure cause if applicable. In addition, an analysis will be performed to identify a proportional amount of the warranty cost to the value of warranty services/remedies received. A remarks section will include tasks or services that are considered desirable or undesirable based upon the claim frequency, failure mode, and value.

c. The final payoff assessment will evaluate the economic benefits derived from the warranty in comparison to the cost of corrective actions if there were no warranty. Cost avoidance as well as Government cost to administer the warranty must be considered. Nonmonetary benefits will be summarized and the inprocess assessments will be consolidated and summarized.

d. The warranty assessments will be used to determine warranty provisions and tasks for follow-on procurements for the item (and similar items) and the overall effectiveness of the item warranty.

e. An internal control review checklist for final payoff assessment determination is required for each contract warranty.

Section III

Reimbursements and Copayments

4-5. Army repair and reimbursement

Weapon system warranties will include a remedy that authorizes warranty repairs by the Army (or by Army contract) for which reimbursement will be made by the contractor. The reimbursement remedy is also required for nonweapon system warranties.

a. Contract recovery of expenses for materiel (parts), labor, and transportation incurred by the Army for repair or replacement of warranty items will be accomplished by contract refunds. Transportation expense recovery is necessary only when a warranty item's destination transportation cost exceeds the Army's normal repair facility destination cost for the item.

b. Contract recovery of gaining MACOM labor expenses (when part of the warranty coverage) will include labor expended for removal and replacement of items as well as the labor expended in the actual item repair. Labor rates used for contract computation will represent average Army maintenance labor costs for organic labor or the contractors burdened flat rate manual for labor. Maintenance allocation chart(MAC) labor hour standards will be used for computation. Summation of discrete labor hour tasks may be necessary to encompass the total repair effort.

c. Recovery of depot labor expenses will be limited to the labor expended in the item repair using the MAC or contractor labor hour standards. Labor rates used for contract computation will represent average Army depot labor rates.

d. Contract-recovered expenses will be refunded to a central DA fund for Operations and Maintenance, Army.

4-6. Copayment for prorata usage

a. Copayments for prorata usage are a payment of monies by the item owner, based on percentage of usage, to the item supplier(or representative) when a portion of warranty usage has occurred. Commercial tire and battery warranties are examples of prorata copayment warranties.

b. Copayments to contractors or dealers for prorata usage under an Army contract warranty will not be required from gaining MACOMs unless—

(1) The warranty items are covered by nonstandard warranty execution procedures negotiated as part of an MFP.

(2) The warranty items are commercial or trade practice items that are acceptable to the gaining MACOMs.

Section IV

Candidate Criteria and Warranty Coverage

4-7. Warranty candidates

Warranty candidates will be identified in accordance with the following criteria when the system or system subordinate items are the materiel to be procured:

a. *Weapon systems of 10 USC 2403.*

(1) Major systems identified in section 139a, title 10, United States Code (10 USC 139a).

(2) Systems not identified in 10 USC 139a but falling within the 10 USC 2403 definition.

(3) Items subordinate to the weapon system level that are—

(a) Within the cost criteria of DFARS 46.7.

(b) Depot reparable or depot recoverable by the maintenance and recovery codes of AR 700-82.

(c) Occur no lower than level 3 of the work breakdown structure(MIL-STD-881A; para 3.5.1) for prime mission hardware.

b. *Nonweapon systems.*

(1) Military and nonmilitary developed systems and system subordinate items that are listed (or proposed for listing) in Supply Bulletin 700-20, chapter 2.

(2) Are depot reparable or depot recoverable by the maintenance and recovery codes of AR 700-82.

(3) Occur no lower than the level directly below level 3 of the work breakdown structure (MIL-STD-881, para 3.5.1) for prime mission hardware.

4-8. Warranty coverage

Army warranties for centrally procured materiel will provide two coverages;individual item failure coverage and systemic defect coverage. Replacement assemblies may require both types of coverage. Commercial or trade practice warranties may be structured for both types of coverage.Pass-through warranties will be restricted in their usage.

a. Individual item failure coverage requiring individual warranty claim actions apply to MAC functions of maintenance or repair parts and special tool list (RPSTL) coded recovery functions that occur no lower than the INT-GS level for items and their subsidiary parts.Tasks for maintenance and recovery functions must be identified to the MAC or RPSTL for inclusion in the warranty but all of the identified functions may not be cost-effective for individual claim processing.The value of the function, as estimated by MAC labor hours, depot labor rates, and Army Master Data File (AMDF) part costs, must exceed the Army's cost of claim processing to be cost-effective as an individual warranty claim. When claim processing costs exceed the estimated value of the function, systemic defect coverage will be used instead of individual claim coverage.

b. Systemic defect coverage provides protection to the lowest level of impact or expense and requires a contract remedy that may cover all contract deliverables.

(1) When the contract warranty provisions include both individual item claims and systemic considerations, abnormal volume of WCAs against the particular part will initiate systemic contract remedies.

(2) When the warranty provisions do not include individual item claims, systemic failures will become evident by a significant number of product deficiency or other field reports. These include Quality Deficiency Reports, Equipment Improvement Recommendations, Report of Discrepancies, and other reports of product problems with the item.

(3) The MAT DEV, using the contract remedies, will arrange with the warranty contractor for an inventory-wide or total asset remedy when applicable. Replacements, recalls, or repairs will be coordinated with the gaining MACOM or depot as applicable. A comparable contract cost reduction may be appropriate in place of asset repair or replacement.

(4) An indepth analysis of the failure cause and a potential redesign may be necessary to prevent recurring failures.

(5) The term of coverage begins with the first contract item

delivered and ends following the warranty expiration date of the last item delivered and includes all failures during the term.

c. System subordinate item contracts (para 4-7) for replacement assemblies or for assemblies integrated into systems as Government furnished equipment (GFE) may require both the systemic defect coverage and individual item failure coverage. This coverage is required for replacement items that received similar coverage under a system level warranty.

d. Commercial or trade practice warranties that extend coverage below the INT-GS level will be structured for individual item failure remedies for the INT-GS and depot level functions of maintenance and recovery and for systemic failure remedies at levels below INT-GS, when possible.

e. Pass-through warranties, which require the Army to seek remedies through vendors not directly under contract, will not be used on weapon system warranties. Commercial or trade practice warranties which have traditional subordinate pass-through warranties such as tires and batteries may be used.

4-9. Warranty duration

Warranty duration will be of sufficient time to provide a period for user operation that is proportional to the expected life of the item. The duration period is composed of two factors; average elapsed time prior to operation and operational use.

a. The average elapsed time factor is the period of time which occurs from the time of contract delivery (as evidenced by contract documented acceptance) until the item is placed into operation and includes all delays that may be normally expected prior to operational use. Included are transportation and storage delays, fielding in oversea geographic location delays, and delays planned when Government-furnished materiel is integrated into a higher weapon system.

b. The operational use factor is the period of time in actual operation that will prove the substantive quality of the item and the integrity of the manufacturing process. This period should be between 10 and 25 percent of the expected life and generally not less than 1 calendar year or 1 year of an equivalent usage rate in whatever units are best measured (for example, months, years, hours, miles, rounds).

c. When a warranty duration is computed for inclusion into a contract, the operational use factor is added to the average elapsed time factor to yield a single length duration which will be used for each delivered item.

(1) The duration period will start on the date of acceptance and each item will be identified with its unique expiration date.

(2) Items scheduled for long-term storage such as War Reserves or prepositioned stocks have the same duration as other items acquired for immediate operation. The average elapsed time factor will include the impact of long-term storage items and will result in either a longer duration period for all items under contract, or a comparable reduction in contract price for those items which have little likelihood of operational usage.

Section V Compatibility and Identification

4-10. Warranty compatibility with standard Army support systems

Acquired warranties will sustain compatibility with the standard Army support systems. The item's support for the period under warranty will not differ from the follow-on support upon warranty expiration.

a. Storage and exercise of warranted items will not differ during the warranty from the item's postwarranty requirements.

b. Part support will operate within the Army's supply system for replacement parts. Urgent part support using direct shipment to Army maintenance facilities may be used for warranty items in the same manner that expedited shipment of nonwarranty items are used to fill urgent requisitions.

c. Warranty exhibits will be returned or disposed using the Army's disposal and retrograde return system. Specific items with return requirements or exhibit hold periods will be identified in the item's WTB and MFP.

d. WCAs will provide information to the MAT DEV and the warranty contractor in accordance with The Army Maintenance Management System (TAMMS), DA Pam 738-750 (nonaviation) and DA Pam 738-751 (aviation), TAMMS-A. Contract unique forms or information requirements will not be required when the gaining MACOM is expected to perform the standard Army execution procedures. (See para 6-2.)

e. Maintenance functions or work time figures of an item's MAC will not be changed to accommodate the warranty. The alignment of warranty coverage to maintenance levels and functions is to sustain normal support operations during the warranty period with the support that will follow warranty expiration. During the course of normal support operations, it may become necessary to move, subdivide, or combine MAC functions to accommodate the Army's support needs. The MAT DEV will attempt to realign the warranty with the MAC changes if cost-effectiveness and execution can be sustained. If contract changes cannot be accomplished, some functions may be unilaterally excluded from execution for not complying with the changed MAC.

f. Warranty remedies should not be any less responsive than normal Army maintenance methods to sustain readiness. Contract warranty provisions will be defined for responsiveness in terms of time (hours, days, weeks) between notification and resolution of a warranty claim.

4-11. Identification of warranty items

The Army's standard execution procedures (para 6-2) are based on a free flow return of failed items to the claiming level of maintenance. The passiveness of the procedures require obvious markings to allow for identification screening at the claiming levels. Therefore, warranty identification/data plates and package marking is a contract requirement and will be added to Army documentation as a requirement. In some instances, an item may be excluded from individual claim coverage and may be included under systemic claim coverage because physical size, shape, or material makes identification markings impossible. In other instances, logbook or historical record data may be used for identification purposes for items of a system level warranty.

a. Warranty information/data plates, as specified in contracts and Army documentation, will be applied to the system hardware and to depot and INT-GS reparable/recoverables that comprise the system covered by the warranty. The data plate marking requirement will comply with MIL-STD-130 and the following requirements:

(1) Minimum information markings will include "WARRANTY ITEM," "WTB XXXXX" (unique number), and "EXPIRES XX/XX" (unique date/rate). The "EXPIRES XX/XX" will be expressed as numeric month slash numeric year or usage rate (for example, hours, miles). Characters will be either white or black to obtain maximum contrast to the background. Bar coding of the warranty data and the national stock number (NSN), contract number, and contractor Federal Supply Code of Manufacturers (FSCM) number is desired but not mandatory.

(2) Background marking requirements will provide alternating blue and neutral (natural color of material) 45 degree diagonal stripes of equal width. The width of each stripe will be approximately equal to the character height. Blue color will approximate FED-STD-595, color number 35250.

b. Warranty package/package markings will comply with MIL-STD-129 for size and information marked. In addition, background markings as specified above for data plates will be applied to packages/package markings.

c. Expiration date/usage marked on plates and packages will be applied at contract acceptance for each item and will be that period defined as the warranty duration period (para 4-9) or usage rate equivalent.

d. Shipping and release documents will identify warranty items in the appropriate form area or remarks section to inform the receiver

of the existence of warranty materiel. This applies to items being issued for use and items being evacuated for repair.

e. Computer programs that appear on a visual display will include a notice of warranty coverage on one of the introductory screens of the program. The warranty coverage details will be presented within the program.

4-12. Warranty technical bulletins

Warranty provisions for execution will be published in a WTB prepared in accordance with MIL-M-63034 (TM) in sufficient time to provide draft copies for MFP coordination and final copies concurrent with materiel fielding. WTBs may, by necessity, be a contract deliverable item in order to be available for MFP coordination. When WTBs are contract prepared, they will be procured by a contract line item number (CLIN) and exhibit.

Chapter 5 Warranty Information

5-1. General

Warranty information will be collected and shared by MAT DEVs and gaining MACOM organizations to document and improve warranties and their benefits using a CCA as the combined data base.

a. MAT DEVs will collect and provide to the CCA, information on each warranty for centrally procured items. This information will include—

- (1) NSN, nomenclature, and model numbers.
- (2) Contract number, contractor name, and FSCM.
- (3) Warranty publication (for example, WTB) number and date.
- (4) Serial, lot, or registration number range (when applicable).
- (5) Warranty duration (time in months).
- (6) Warranty usage limits (hrs/miles/km).
- (7) Start date of first item warranty period.
- (8) End date of last item warranty expiration.
- (9) Contract cost of warranty (sum and per unit) and contract item cost.
- (10) Subordinate (pass-through) warranties if applicable.
- (11) Special warranty provisions or conditions.

b. MAT DEVs will collect, collate, and automate WCAs submitted from all sources and provide information access to the CCA and annual reports to gaining MACOMs.

(1) Data or information expected to be gathered from gaining MACOMs or activities will be limited to WCA data of DA Pam 738-750 and DA Pam 738-751.

(2) Data or information gathered as part of nonstandard execution procedures will, as a minimum, provide the same data elements gathered by TAMMS/TAMMS-A WCAs. Special data collection programs such as sampling data by AR 750-37 and interim contractor support program (ICS) data are examples of special information sources.

(3) Contract status reports (DI-A-1025) provide an alternate or corroborate means of acquiring and verifying claim data.

(4) Data or information gathered within systems integration programs or depot operations as warranty claims will, as a minimum, provide the same data elements gathered by TAMMS/TAMMS-A WCAs.

5-2. Central collection activity

The executive agent directed CCA serves as a central source of automated warranty information. The CCA serves to—

a. Collect information gathered by the MAT DEV and operate a combined data base.

b. Publish listings/reports for warranty information users (MAT DEVs, WARCOs, LAOs).

(1) WARCO addresses and an index of warranty items published in DA Pam 738-750 and DA Pam 738-751.

(2) Warranty Highlighter (information letter) published periodically.

(3) Annual summary reports of MACOM and WARCO activity for annual compliance analysis.

c. Provide access to the data base as an electronic mailbox for queries of individual warranty coverage specifics within 24 hours from receipt of request.

5-3. Warranty clause exchange

A weapon system warranty clause exchange service will be provided by the legal office of the executive agent for MAT DEV. This service will supply copies of existing warranty clauses upon request and does not supplant legal or procurement review requirements of the MAT DEV. The purpose of the service is to proliferate successful clauses used for procurement of weapon system warranties under 10 USC 2403.

Chapter 6 Warranty Fielding and Execution

6-1. Fielding of warranty items

Warranty items will be fielded in accordance with appropriate materiel release, fielding or transfer documents noting specific warranty requirements in the MFP.

a. Survey of local service sources.

(1) Concurrent with MFP negotiation, the materiel fielder will conduct a survey of capacity and capability of local service sources where utilization of these sources is planned.

(2) Concurrent with fielding, the gaining MACOM WARCO will resurvey the service sources to confirm servicing capability and capacity.

b. WTBs will be provided with the MFP and each item when required. In addition, WTBs will be distributed by pinpoint publication distribution methods.

c. The materiel fielding team (MFT) will provide WTB copies to the gaining MACOM and coordinating/servicing WARCOs, to the MACOM LAO, and to local LAO/LAR.

d. WTB details of coverage and execution will be explained by the MFT to WARCOs, LAOs, and LARs.

e. Gaining MACOM budget programming to accomplish maintenance, supply, and retrograde recovery tasks associated with warranty execution must encompass the potential of Army repair and contract recovery of expenses.

6-2. Warranty execution

a. *Standard Army execution procedures (SAEPs)*. SAEPs fulfill the requirements of minimum burden, compatibility with the normal Army logistical support system, and uniformity/simplicity of administration. The basic premise of these procedures is to support the item during the warranty in the same manner as that which occurs in postwarranty ownership.

(1) TAMMS/TAMMS-A procedures contain instructions and forms for completing WCAs. Contract unique forms or procedures are not used for WCAs.

(2) Individual WCAs do not occur below the INT-GS level.

(3) Supply support and retrograde recovery flow through the normal Army logistical systems.

(4) Storage and exercise requirements for warranty items do not differ from the Army's postwarranty requirements.

b. *Nonstandard execution procedures*. Nonstandard execution procedures are not used when execution is to be performed by gaining MACOMs except when—

(1) The MACOM agrees to perform nonstandard execution for maintenance augmentation as part of the MFP.

(2) The methods of collection in AR 750-37 are utilized and no unique burden is applied to the gaining MACOM.

(3) Interim contractor support agreements provide for the WCAs and execution.

(4) Warranties do not extend beyond the wholesale level and are executed by the MAT DEV or depot system.

(5) Warranties are included as part of a local procurement.

c. Warranty exhibits. Warranty exhibits (as specified in the WTB) utilize the standard retrograde return system when execution is performed by gaining MACOMs.

(1) Preservation and safeguarding of warranty exhibits are a priority task of the gaining MACOM to protect the contract remedies of the Army.

(2) Evacuation of warranty exhibits conform to the MFP and WTB instructions. Storage of exhibits is provided by the gaining MACOM pending disposition instructions from the MAT DEV.

(3) Disposition instructions are furnished (by the MAT DEV) to the gaining MACOM within 30 calendar days of the MAT DEV notification of WCA receipt.

Chapter 7 Compliance

7-1. Materiel developer

MAT DEV compliance will be accomplished by—

a. Inspector general review of compliance to the statutory requirements.

b. Executive agent review of the annual inprocess and postwar-ranty assessments, command visits such as the command logistics review team (CLRT) reports, and compliance visits.

c. Internal control provisions of warranty checklists.

7-2. Gaining MACOMs

Gaining MACOM compliance will be accomplished by—

a. Inspector general review of compliance to this regulation and MACOM supplementation when applicable.

b. Executive agent review of claim summaries, command visits such as the CLRT reports, and compliance visits.

7-3. Logistic Assistance Offices

LAO/LAR compliance will be accomplished by executive agent (command LAO) annual review of data repository and procedures review for each LAO support office.

7-4. Executive agent

Executive agent compliance will be accomplished by the DCSLOG, using the annual reports of the executive agency.

TASK:	Army Warranty Program	ORGANIZATION:
SUBTASK:	Warranty Cost and Benefits	ACTION OFFICER:
THIS CHECKLIST:	Cost-Effectiveness Analysis and Payoff Assessment	REVIEWER:
EVENT CYCLE:	Warranty Cost-Effectiveness (C-E)	DATE COMPLETED:

STEP #1: Submit warranty C-E analysis summary to MACOM HQ for approval.

RISK: Contract warranty will be procured without appropriate MACOM HQ approval of C-E analysis.

CONTROL OBJECTIVE: Assure that each MACOM review the warranty C-E analysis receives MACOM approval.

CONTROL TECHNIQUE: Establish written procedures for coordination of all warranty C-E analyses.

TEST QUESTION	RESPONSE			REMARKS(1)
	YES	NO	NA	

Are all warranty cost-effectiveness analyses submitted through proper channels to MACOM HQ for approval?

STEP #2: C-E analyses are conducted in conformance with approved policies and procedures.

RISK:
C-E analyses will not be conducted with approved policies and procedures.

CONTROL OBJECTIVE: Assure that policies and procedures are established for the conduct of C-E analyses.

CONTROL TECHNIQUE: Establish current, written policies and procedures for conducting C-E analyses.

TEST QUESTION	RESPONSE			REMARKS(1)
	YES	NO	NA	

Have current policies and procedures for conducting C-E analyses been written and disseminated?

STEP #3: Disseminate the most current, approved C-E analysis model as a source and reference document.

RISK:
MACOM approved C-E analysis model is not readily available for use by subordinate contracting activities as a method of C-E analysis preparation.

CONTROL OBJECTIVE: Assure that the C-E analysis model is published and used.

CONTROL TECHNIQUE: Publish and update the C-E analysis model as the method for analysis of warranty C-E.

TEST QUESTION	RESPONSE			REMARKS(1)
	YES	NO	NA	

Has the C-E analysis model been published, updated, and disseminated to contract activities of the MACOM?

Figure 7-1. INTERNAL CONTROL REVIEW CHECKLIST¹—Continued

EVENT CYCLE 2: Contract File Documentation

STEP #1: Document contract file with C-E analysis and rationale for warranty decision.

RISK:

Contract warranties will be procured without appropriate documentation of the contract files.

CONTROL OBJECTIVE: Assure that each contract be documented with C-E analysis and rationale for warranty decision.

CONTROL TECHNIQUE: Establish written procedures for inclusion of C-E analysis and rationale for warranty decision within contract files.

TEST QUESTION

RESPONSE			REMARKS(1)
YES	NO	NA	

Have contract files been documented with the C-E analysis and warranty decision?

STEP #2: Document contract file with payoff assessment of each warranty prior to contract close-out.

RISK:

Contracts will be closed out without an assessment of the final warranty benefits.

CONTROL OBJECTIVE: Assure that each contract be documented with an assessment of the final warranty benefits.

CONTROL TECHNIQUE: Establish written procedures for inclusion of a warranty payoff assessment for each contract warranty prior to contract close-out.

TEST QUESTION

RESPONSE			REMARKS(1)
YES	NO	NA	

Have the contract files been documented with the warranty payoff assessment prior to contract close-out?

¹Provide reference to documentation or explanation for response.

The above-listed internal controls provide reasonable assurance that Army resources are adequately safeguarded. I am satisfied that if the above listed controls are fully operational, the internal controls for this subtask throughout the Army are adequate.

Signed by: James B Emahiser
Functional Proponent

I have reviewed this subtask within my organization and have supplemented the prescribed internal control review checklist when warranted by unique environmental circumstances. The controls prescribed in this checklist, as amended, are in place and operational for my organization (except for the weaknesses described in the attached plan, which includes schedules for correcting the weaknesses).

Operating manager (signature)

This checklist must be used within 120 days of initial publication and every 2 years thereafter. See AR 11-2 for specific requirements of the Internal Control Program of the Internal Control Program.

Figure 7-1. INTERNAL CONTROL REVIEW CHECKLIST¹

Appendix A References

Section I Required Publications

DA Pam 738-750

The Army Maintenance Management System (TAMMS). (Cited in paras 4-10*d*, 5-1*b*, 5-2*b*, and 6-2*a*.)

DA Pam 738-751

The Army Maintenance Management System—Aviation (TAMMS-A). (Cited in paras 4-10*d*, 5-1*b*, 5-2*b*, and 6-2*a*.)

DFARS 46.7

Defense Federal Acquisition Regulation Supplement, Warranties. (Cited in paras 2-2*b*, 2-3*a*, 2-6*d*, 3-2*a*, 3-3*a*, and 4-7*a*.)

DFARS 46.708

Defense Federal Acquisition Regulation Supplement, Warranties of Technical Data. (Cited in para 3-5.)

DFARS 46.770-7

Defense Federal Acquisition Regulation Supplement, Applicability of FMS. (Cited in para 3-2*b*.)

DFARS 46.770-9

Defense Federal Acquisition Regulation Supplement, Waiver and Notification Procedures. (Cited in para 3-2*a*.)

DFARS 52.227-7013

Defense Federal Acquisition Regulation Supplement, Rights in Technical Data. (Cited in para 3-5.)

DI-A-1025

Data Item Description for Contract Status Reports. (Cited in para 5-1*b*.)

FAR 46.7

Federal Acquisition Regulation, part 46.7. (Cited in paras 1-1*b*, 2-2*b*, 2-3*a*, 2-6*d*, 2-7*e*, 3-3*a*, 3-3*b*, and 3-4.)

FED-STD-595

Federal Standard 595, Colors. (Cited in para 4-11*a*(2).)

MIL-STD-129J

Marking for Shipment and Storage. (Cited in para 4-11*b*.)

MIL-STD-130F

Identification Marking of US Military Property. (Cited in para 4-11*a*.)

MIL-STD-881A

Work Breakdown Structures for Defense Materiel Items. (Cited in paras 4-7*a* and 4-7*b*.)

Supply Bulletin 700-20

Army Adopted/Other Items Selected for Authorization/List of Reportable Items. (Cited in para 4-7*b*.)

Section II Related Publications

A related publication is merely a source of additional information. The user does not have to read it to understand this regulation.

AR 11-2

Internal Control Systems

AR 11-18

The Cost Analysis Program

AR 11-28

Economic Analysis and Program Evaluation for Resource Management

AR 70-1

System Acquisition Policy and Procedures

AR 381-143

Logistic Policies and Procedures

AR 700-4

Logistic Assistance Program

AR 700-9

Policies of the Army Logistics System

AR 700-82

Joint Regulation Governing the Use and Application of Uniform Source, Maintenance and Recoverability Codes

AR 700-127

Integrated Logistic Support

AR 700-129

Joint Integrated Logistic Support

AR 702-3

Reliability Improvement Warranties

AR 750-10

Modification of Materiel and Issuing Safety-of-Use Messages and Commercial Vehicle Safety Recall Campaign Directives

AR 750-37

Sample Data Collection

AR 1000-1

Basic Policies for System Acquisition

MIL-M-63034(TM)

Manual Technical: Warranty Technical Bulletins, Preparation of

Glossary

Section I Abbreviations

AMC

U.S. Army Materiel Command

AMDF

Army Master Data File

ASARC

Army System Acquisition Review Council

ASCI

Assistant Chief of Staff for Intelligence

ARNG

Army National Guard

CCA

central collection activity

CLIN

contract line item number

CLRT

command logistics review team

COE

Chief of Engineers

DA

Department of the Army

DCSLOG

Deputy Chief of Staff for Logistics

DCSOPS

Deputy Chief of Staff for Operations and Plans

DCSPER

Deputy Chief of Staff for Personnel

DCSRDA

Deputy Chief of Staff for Research, Development, and Acquisition

DFARS

Defense Federal Acquisition Regulation Supplement

DOL

Director of Logistics

FAR

Federal Acquisition Regulation

FMS

foreign military sales

FSCM

Federal Supply Code of Manufacturers

GFE

Government-furnished equipment

HQDA

Headquarters, Department of the Army

ILSP

Integrated Logistic Support Plan

INT-GS

intermediate—general support

IPR

Inprocess review

LAO

Logistic Assistance Office

LAR

logistic assistance representative

MAC

maintenance allocation chart

MACOM

major Army command

MAT DEV

materiel developer

MFP

materiel fielding plan

MFT

materiel fielding team

NSN

national stock number

RPSTL

repair parts and special tool list

SAEP

standard Army execution procedure

TAMMS

The Army Maintenance Management System

TAMMS-A

The Army Maintenance Management System—Aviation

TRADOC

U.S. Army Training and Doctrine Command

TSG

The Surgeon General

USAR

U.S. Army Reserve

WARCO

warranty control office/officer

WCA

warranty claim action

WTB

warranty technical bulletin

Section II Terms

Centrally procured

Procurements made in support of materiel managed by the national inventory control point.

Cost-effective

A warranty that has tangible and intangible benefits which exceed the cost to procure, administer, and execute the warranty.

Cost-effectiveness analysis

An analysis between cost to procure, administer, and execute a warranty compared to the value of tangible and intangible benefits received.

Executable

The ability of the Army to put into operation a contract warranty and make warranty claims within the normal functions of maintenance and supply operations.

Execution

The process of carrying out the Army's right to apply for contract remedies under a warranty, such as making warranty claims.

Exhibit

A part or group of parts that are the residual materiel remaining from a warranty repair action. Broken or failed assemblies or the parts of assemblies that have failed may qualify as exhibits based on the WTB specifics.

Federal Supply Code of Manufacturers

A five-position code assigned to organizations that manufacture or maintain design control for items purchased, used, and cataloged by agencies of the Federal Government.

Gaining MACOM

The field command that receives materiel and puts the materiel into operational use.

Item

Item used in this regulation indicates procured materiel.

Materiel developer

Command or agency responsible for research, development, and production of a system in response to approved requirements.

Systemic failure

A classification for failures which occur with a frequency, pattern, or sameness to indicate a logical regularity of occurrence.

Warranty

Warranty, as used in this regulation (and FAR 46.7), means a promise or affirmation given by a contractor to the Government regarding the nature, usefulness, or condition of the supplies or services furnished under the contract.

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